9 Spokes International Limited and subsidiary companies

Interim Financial Statements

For the 6 months ended 30 September 2017

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Company Report

The Board are pleased to present the interim financial statements of 9 Spokes International Limited (the “Company”) and its subsidiaries (altogether “the Group’) for the 6 months ended 30 September 2017.

Presentational currency

The interim financial statements are presented in New Zealand dollars unless otherwise stated.

Progress

The Group achieved good progress with business development over the last 6 months. The Group signed a contract with one of the world’s leading banks, the Royal Bank of Canada (RBC), which began live service on 1 November 2017. In Asia, we signed a Memorandum of Understanding with OCBC, the second largest Singaporean bank, following a detailed Proof of Concept (POC). Meanwhile, 9 Spokes has signed a Letter of Intent with one of New Zealand’s leading banks and is progressing multiple opportunities across North America, Australasia and Asia and is seeing encouraging progress with major banks in each of these regions.

9 Spokes’ user adoption during the last 6 months increased nearly 10-fold, starting the period at 2,100 users and ended the half year at more than 20,000 users. The Company took 270 days to reach its first 10,000 users and 68 more days to reach 20,000 users. Marketing efficiency was improved, reflecting ongoing progress with digital and content marketing optimisation.

The Group delivered quicker and more effective service deployment as a result of improvements in the product and engineering function. For example, the rapid implementation of the RBC channel by 1 November, was enabled by enhanced repeatability and efficiencies in the platform and implementation processes, following three previous channel deployments plus deployment of 9 Spokes Direct UK.

9 Spokes continued development work on the customer dashboard with new features being readied for deployment including the ability for users to set up their own threshold limits for alerts on specific widgets, and the ability for users to sign-up and log-in using the most popular social log-ins, commencing with Google and Facebook.

Financial results of operation

The Group’s operating loss after tax for the 6 months ended 30 September 2017 was $10.6 million compared with a loss after tax of $6.7 million for the 6 months ended 30 September 2016.

Revenue

Revenue for the 6 months ended 30 September 2017 was $2.3 million (2016: $0.003 million) representing $1.5 million of recurring access licences fees from the current live three channel partners, plus $0.7 million of deferred implementation fees.

Expenses

Over the 12 months to September 2017, the Group has experienced considerable growth with the implementation of four platforms, execution of those platforms to market, growth in user numbers, continuing product development and a renewed focus on global business development. To support this growth the company continues to invest in people, across all areas. In total, 55% of our people remain engaged in new products, development and infrastructure. Total salary expenditure for the 6 months to September 2017 was $6.2 million (6 months to September 2016 $3.8 million, 6 months to March 2017, $4.6 million).

Research and development (R&D) expenditure, including salaries, operational costs and overheads, has increased for the 6 month period to $2.1 million (6 months to September 2016: $1.5 million, 6 months to March 2017: $1.4 million). The significance of this R&D work has recently been recognised by Callaghan Innovation, a Crown entity of New Zealand, who have just approved a Growth Grant to fund 20% of the Group's expected New Zealand based R&D spend over the next 3 years.

Other major items of expenditure for the 6 months ended 30 September 2017 includes marketing, global data hosting costs; travel for new business development, and professional fees reflecting the company's status as a listed entity.

The Group's rate of expenditure growth reflects the progress made over the past 12 months. We expect expenditure over the next year will be more closely related to revenue growth, as the company's core development and technical operations are close to a sustainable position. The Group's detailed rolling twelve months plan reflects this and focuses on new business growth, product development and go to market strategies, and is carefully complemented with cost control management.

Cash Flow

Net cash outflows from operating activities for the 6 months ended 30 September 2017 were $9.7 million (2016: $7.4 million) and at 30 September 2017, the Group had $15.7 million of cash and cash equivalents (including term deposits).

Placement

On 27 July 2017 the Company announced the successful raise of $12.9 million (AU$12 million) through an oversubscribed placement to sophisticated and institutional investors. The placement was completed through the issue of 92.3 million shares at AU$0.13 per share.

Funds are used to support the growth of new enterprise partners worldwide, particularly in North America and Asia, product, software and infrastructure development, the provision of additional working capital and pay for marketing offers.

Approval of Interim Financial Statements

Approved for and on behalf of the Board of Directors on 23 November 2017.

Paul Reynolds	Mark Estall
Chairman	Founder & CEO

Independent review report

to the Directors of 9 Spokes International Limited

Report on the Interim financial statements

We have reviewed the accompanying interim financial statements (the "financial statements") of 9 Spokes International Limited (the "Company") and its subsidiaries (the "Group") on pages 6 to 24, which comprise the condensed consolidated statement of financial position as at 30 September 2017, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period ended on that date, and selected explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax compliance, tax consulting, preparation of a remuneration policy and remuneration market report, and a review opinion on the Group's Confirmation of Research & Development Expenses for Growth Grant Application for Callaghan Innovation. The provision of these other services has not impaired our independence.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group are not prepared, in all material respects, in accordance with NZ IAS 34.

Material uncertainty related to going concern
We draw attention to note 2 in the interim financial statements, which discloses that the Group has incurred a loss of $10.6 million during the period for the six months ended 30 September 2017 and that losses are forecast to continue. The Group will be unable to fund these forecast losses from its current cash position and have disclosed the plans to address the potential shortfall. As stated in note 2, these events or conditions, along with other matters set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Who we report to
This report is made solely to the Company's Directors, as a body. Our review work has been undertaken so that we might state to the Company's Directors those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
24 November 2017

	Notes	30 September 2017 (unaudited) $'000	30 September 2016 (unaudited) $'000	31 March 2017 (audited) $'000
Revenue	**4**	**2,269**	**3**	**1,163**
Expenses:				
Operational expenses	5	(2,963)	(1,751)	(4,516)
Research and development expenses	5	(2,137)	(1,456)	(2,894)
Administrative expenses	5	(7,773)	(3,579)	(8,137)
Operating loss		**(10,604)**	**(6,783)**	**(14,384)**
Net finance income		165	105	344
Net loss before income tax		**(10,439)**	**(6,678)**	**(14,040)**
Income tax (expense) / benefit		(125)	-	4
Net loss from continuing operations		**(10,564)**	**(6,678)**	**(14,036)**
Other comprehensive income:				
Translation of international subsidiaries		152	-	(25)
Total comprehensive loss attributable to shareholders		**(10,412)**	**(6,678)**	**(14,061)**
Earnings per share				
Basic and diluted loss per share		($0.02)	($0.02)	($0.04)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the interim financial statements.

	Notes	Share capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
Balance as at 31 March 2016 (audited)		**12,743**	**971**	**-**	**(12,812)**	**902**
Proceeds from shares issued at IPO	8	26,169	-	-	-	26,169
Share option expense	8	-	662	-	-	662
Costs of capital raise	8	(2,763)	-	-	-	(2,763)
Net loss for the period		-	-	-	(6,678)	(6,678)
Reserve arising on conversion of foreign currency subsidiary		-	-	29	-	29
Balance as at 30 September 2016 (unaudited)		**36,149**	**1,633**	**29**	**(19,490)**	**18,321**
Share option expense	8	-	25	-	-	25
Costs of capital raise	8	(4)	-	-	-	(4)
Net loss for the period		-	-	-	(7,358)	(7,358)
Reserve arising on conversion of foreign currency subsidiary		-	-	(54)	-	(54)
Balance as at 31 March 2017 (audited)		**36,145**	**1,658**	**(25)**	**(26,848)**	**10,930**
Proceeds from shares issued	8	12,955	-	-	-	12,955
Share option expense	8	-	171	-	-	171
Costs of capital raise	8	(993)	**-**	-	-	(993)
Net loss for the period		-	-	-	(10,564)	(10,564)
Reserve arising on conversion of foreign currency subsidiary		-	-	152	-	152
Balance as at 30 September 2017 (unaudited)		**48,107**	**1,829**	**127**	**(37,412)**	**12,651**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to the interim financial statements.

	Notes	30 September 2017 (unaudited) $'000	30 September 2016 (unaudited) $'000	31 March 2017 (audited) $'000
Assets				
Non-current assets				
Property, plant and equipment		541	127	535
Total non-current assets		**541**	**127**	**535**
Current assets				
Cash and cash equivalents		11,654	19,166	7,484
Term deposits with maturities of more than three months		4,000	-	5,900
Trade, other receivables and prepayments		1,490	1,410	1,278
Capitalised work in progress	5	988	1,265	1,073
Total current assets		**18,132**	**21,841**	**15,735**
Total assets		**18,673**	**21,968**	**16,270**
Equity				
Share capital	8	48,107	36,149	36,145
Share based payments reserve	8	1,829	1,633	1,658
Foreign currency translation reserve		127	29	(25)
Accumulated losses		(37,412)	(19,490)	(26,848)
Equity attributable to the owners of the company		**12,651**	**18,321**	**10,930**
Total equity		**12,651**	**18,321**	**10,930**
Current liabilities				
Trade and other payables		2,591	886	1,377
Deferred revenue	4	3,431	2,761	3,963
Total current liabilities		**6,022**	**3,647**	**5,340**
Total liabilities		**6,022**	**3,647**	**5,340**
Total equity and liabilities		**18,673**	**21,968**	**16,270**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to the interim financial statements.

	Notes	6 months ended 30 September 2017 (unaudited) $'000	6 months ended 30 September 2016 (unaudited) $'000	Year ended 31 March 2017 (audited) $'000
Cash flows from operating activities				
Cash receipts from customers		1,533	160	2,595
Cash payments to employees and suppliers		(11,353)	(7,581)	(16,212)
		(9,820)	**(7,421)**	**(13,617)**
Interest received		159	19	293
Tax credits received		-	8	144
Net cash flows from operating activities	10	**(9,661)**	**(7,394)**	**(13,180)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(166)	(69)	(442)
Transfer from/(to) term deposits		1,900	-	(5,900)
Net cash flows from investing activities		**1,734**	**(69)**	**(6,342)**
Cash flows from financing activities				
Net proceeds from the issue of share capital	8	12,955	26,542	26,542
Costs of raising capital	8	(993)	(2,763)	(2,767)
Net cash flows from financing activities		**11,962**	**23,779**	**23,775**
Net change in cash and cash equivalents		**4,035**	**16,316**	**4,253**
Cash and cash equivalents at beginning of the period		7,484	3,381	3,381
Foreign exchange gain/(loss) on cash and cash equivalents		135	(531)	(150)
Cash and cash equivalents at end of the period		**11,654**	**19,166**	**7,484**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the interim financial statements.

1. General information

These interim financial statements are for 9 Spokes International Limited (“the Company” or “9 Spokes”) and its subsidiaries (together “the Group”).

9 Spokes is a limited liability company incorporated in New Zealand. The registered office of the Company is Level 4, AECOM House, 8 Mahuhu Crescent, Auckland 1010, New Zealand.

9 Spokes provides an online, Software-as-a-Service application platform and store allowing businesses to access a wide-range of third-party applications and online services to meet their needs for core business activities such as accounting, inventory management, booking and scheduling. The 9 Spokes platform uses data from these applications to present customers with at-a-glance metrics that monitor and help manage business performance.

9 Spokes also develops and licences bespoke versions of the platform for third party enterprise partners which provides the features of the platform to customers.

9 Spokes current operations do not follow a seasonal or cyclical pattern.

The interim financial statements were authorised for use by the Board of Directors on 23 November 2017.

2. Basis of preparation

These are the interim financial statements for the Group for the six months ended 30 September 2017.

These interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with NZ IAS 34: Interim Financial Reporting and with International Accounting Standard 34 (IAS 34). These financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017 which have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The interim financial statements are presented in New Zealand dollars, unless otherwise stated, which is the Company’s and Group’s functional and presentational currency.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements for the year ended 31 March 2017 and any public announcements made by 9 Spokes International Limited during the interim reporting period.

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of 9 Spokes International Limited for the year ended 31 March 2017.

The Group is designated as a profit-orientated entity.

The Group has adopted External Reporting Board Standard A1 “Accounting Standards Framework (For-profit Entities Update)” (“XRB A1”). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity.

(a) Going concern

The interim financial statements have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Group incurred an operating loss of $10.6 million and net operating cash outflows of $9.7 million for the six months ended 30 September 2017. At 30 September 2017, the Group had $15.7 million of term deposits, cash and cash equivalents.

The Group has made substantial progress during 2017 with business development opportunities, the recent implementation at Royal Bank of Canada is testimony to this. This, together with execution of further opportunities will contribute additional revenues and a longer cash runway. However, given management's expansion plans, the level of additional revenue for the next 12 months is unlikely to exceed planned expenditure and so management are forecasting losses to continue, which the Group will be unable to fund from the current cash position without additional capital.

This position indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. This position is consistent with what the Group has reported at previous reporting dates.

Accordingly the Group may need to raise additional funds in the next 12 months. The Group's access to capital through its listing on the Australian Securities Exchange (ASX:9SP), greatly enhances its funding opportunities, confirmed by the Group's successfully completing an oversubscribed placement on the ASX in July 2017 raising AU$12 million.

The Group has new business opportunities in North America, Australasia and Asia. Whilst there is no certainty that business development projects will come to fruition, recent progress suggests there is potential for more of these opportunities to convert into contracts with millions of dollars of recurring annual revenue. Meanwhile, user adoption is accelerating across all channels.

If, in the unlikely circumstance, additional equity cannot be raised, the Group would be required to raise further capital through alternative sources and depending on the amount raised, review costs and focus on existing business.

The Board and Management believe the Group will be able to raise sufficient funds to support its growth and consider it appropriate to continue to adopt the going concern basis in preparing these interim financial statements.

(b) Changes in accounting policies

There were no new or amended standards that became applicable for the current reporting period.

3. Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 September 2017:

On 27 July 2017, the Company announced a successful Placement of its securities to sophisticated and institutional investors on the Australian Securities Exchange raising additional capital of $12.9 million (AU$12 million). Total expenditure of $1.0 million was incurred as a result of the Placement (predominantly broker fees and commissions and advisory fees) which has been offset against share capital.

4. Segment Reporting

Operating segment information

The Group operates in one business segment, providing an online, Software-as-a-Service platform application and store allowing a business to access a range of online services. The interim financial statements reflect the activities of this operating segment.

The Chief Executive Officer and members of the executive team are the Group's chief operating decision makers. They have determined that based on the information they use for the purposes of allocating resources and assessing performance, the Group itself forms a single operating segment.

Deferred implementation revenue

The Group had deferred implementation revenue as at 30 September 2017 of $3.4 million (30 September 2016: $2.8 million, 31 March 2017: $4.0 million).

The deferred revenue derives from implementation and development fees received from third parties for the deployment of bespoke 9 Spokes systems. As the Group maintains ownership of the developed system and the Group has an obligation to provide continuing services to the third party related to the completed bespoke 9 Spokes system, these fees are recognised as revenue over the expected period that the Group will provide the services. Implementation and development fees received prior to the commencement of the continuing services are treated as deferred revenue.

5. Expenses by nature

The Group operates in one business segment, providing online solutions for businesses, with costs predominately incurred in New Zealand.

Operational expenditure

	Note	6 months ended 30 September 2017 (unaudited) $'000	6 months ended 30 September 2016 (unaudited) $'000	Year ended 31 March 2017 (audited) $'000
Employee benefit expenses	7	2,030	741	2,322
Platform hosting		729	799	1,401
Other operational expenses		204	211	793
Total operational expenditure		**2,963**	**1,751**	**4,516**

Research and development expenditure

	Note	6 months ended 30 September 2017 (unaudited) $'000	6 months ended 30 September 2016 (unaudited) $'000	Year ended 31 March 2017 (audited) $'000
Employee benefit expenses	7	1,786	2,013	3,116
Other research and development expenses		266	407	664
Capitalisation of expenditure as work in progress		(147)	(964)	(964)
Amortisation of previously capitalised work in progress expenditure		232	-	78
Total research and development expenditure		**2,137**	**1,456**	**2,894**

WIP is amortised on a systematic basis over the enterprise partners initial licence terms. Total WIP at 30 September 2017 is $1.0 million (30 September 2016: $1.3 million, 31 March 2017: $1.1 million).

Administration expenditure

	Notes	6 months ended 30 September 2017 (unaudited) $'000	6 months ended 30 September 2016 (unaudited) $'000	Year ended 31 March 2017 (audited) $'000
Depreciation expense		64	32	79
Directors' fees	13	172	-	301
Directors' consultancy services	13	132	35	134
Directors' IPO services		-	115	115
Remuneration of auditors	6	113	152	275
Expensed costs of capital raises		60	374	454
Employee benefit expenses	7	3,464	1,694	4,078
Marketing expenses		1,439	154	878
Other administrative expenses		2,329	1,023	1,823
Total administration expenditure		**7,773**	**3,579**	**8,137**

6. Remuneration of auditors

	6 months ended 30 September 2017 (unaudited) $'000	6 months ended 30 September 2016 (unaudited) $'000	Year ended 31 March 2017 (audited) $'000
Audit and review of financial statements by PwC			
Audit of the annual financial statements – current year	31	-	56
Audit of the annual financial statements – previous year	5	9	31
Review of the half year financial statements	30	22	22
One-off fees for the audit of the financial statements	-	-	8
Extended assurance controls testing	-	-	5
Other services performed by PwC			
Tax compliance services	7	12	15
IPO Investigating Accountant's role	-	97	97
Remuneration policy advice	12	21	22
Other tax advice	28	17	45
Total fees paid and payable to auditor	**113**	**178**	**301**
Administration expenses	113	152	275
Capitalised IPO costs	-	26	26
Total fees paid and payable to auditor	**113**	**178**	**301**

The Audit and Risk Committee oversees the relationship with the Group's auditor, PwC, and considers PwC's independence as part of this process. The Committee is satisfied that PwC is currently independent of the Group and the other non-audit services have not impaired that independence.

7. Employee benefit expense

	Note	6 months ended 30 September 2017 (unaudited) $'000	6 months ended 30 September 2016 (unaudited) $'000	Year ended 31 March 2017 (audited) $'000
Wages and salaries		6,159	3,756	8,393
Third party contractors		778	563	822
Share option expense	8	171	43	68
Other benefits		172	86	233
Total employee benefit expenses		**7,280**	**4,448**	**9,516**

Employee benefit expenses have been allocated between operational, research and development and administration expenditure as follows:

Operational expenses	2,030	741	2,322
Research and development expenses	1,655	1,365	2,468
Research and development capitalised as work in progress	131	648	648
Administration expenses	3,464	1,694	4,078
Total employee benefit expenses	**7,280**	**4,448**	**9,516**

8. Equity instruments

Share capital

	6 months ended 30 Sept 2017 $'000	6 months ended 30 Sept 2017 Shares '000's	*6 months ended 30 Sept 2017 Options '000's*	6 months ended 31 March 2017 $'000	6 months ended 31 March 2017 Shares '000's	*6 months ended 31 March 2017 Options '000's*	6 months ended 30 Sept 2016 $'000	6 months ended 30 Sept 2016 Shares '000's	*6 months ended 30 Sept 2016 Options '000's*
Share capital as at beginning of the period	**36,145**	**391,744**	***39,866***	**36,149**	**391,744**	***39,866***	**12,743**	**266,744**	***39,866***
Shares issued for cash at AU$0.20 per share ($0.21)	-	-	-	-	-	-	26,169	125,000	-
Shares issued for cash at AU$0.13 per share ($0.14)	12,955	92,308	-	-	-	-	-	-	-
Costs of capital raises	(993)	-	-	(4)	-	-	(2,763)	-	-
Shareholder options	-	-	*(39,866)*	-	-	-	-	-	-
Share capital as at the end of the period	**48,107**	**484,052**	**-**	**36,145**	**391,744**	***39,866***	**36,149**	**391,744**	***39,866***

Share based payments reserve

	6 months ended 30 Sept 2017 $'000	6 months ended 30 Sept 2017 Shares '000's	*6 months ended 30 Sept 2017 Options '000's*	6 months ended 31 March 2017 $'000	6 months ended 31 March 2017 Shares '000's	*6 months ended 31 March 2017 Options '000's*	6 months ended 30 Sept 2016 $'000	6 months ended 30 Sept 2016 Shares '000's	*6 months ended 30 Sept 2016 Options '000's*
Share based payments as at beginning of the period	**1,658**	**11,219**	***13,558***	**1,633**	**11,219**	***13,648***	**971**	**11,219**	***4,898***
IPO Advisor options	-	-	-	-	-	-	619	-	*8,750*
Share option expense	171	-	*4,434*	25	-	-	43	-	-
Employee share options	-	-	*(134)*	-	-	*(90)*	-	-	-
Shareholder options	-	-	*(3,024)*	-	-	-	-	-	-
Share based payments as at the end of the period	**1,829**	**11,219**	***14,834***	**1,658**	**11,219**	***13,558***	**1,633**	**11,219**	***13,648***

9. Share options

Options issued to IPO Advisors

In June 2016, the Group issued additional options to its advisors over an aggregate 8,750,000 shares, at an exercise price of AU$0.20 per share treated as share based payments.

8,500,000 of the options issued will vest on the date the price per share of the Company on the ASX is equal to AU$0.30. The remaining 250,000 options will vest based on the following conditions; if the price per share of the Company on the ASX achieves a 30 day VWAP price of a 50% premium to the issue price of AU$0.20 (30 day VWAP Price) on or before the date that is two years after the date the Company lists on the ASX (Second Anniversary), the Options will vest on the Second Anniversary. These options are exercisable on or before 30 June 2019.

The weighted average of the fair value of each option is AU$0.066 under the Black Scholes valuation model resulting in a charge to the Company of AU$579,375 ($618,711). The significant inputs into the model were a share price of AU$0.20 at the grant date, exercise price AU$0.30, volatility of 50%, no dividend, expected option life of three years and a risk-free interest rate of 2.51%.

Employee share options – Pre IPO

The fair value is measured at grant date and expensed over the vesting period.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. Revisions to original estimates, if any, are recognised in the statement of comprehensive income, with a corresponding adjustment to equity.

In December 2015, the Board approved an employee share option scheme to issue options to selected employees. One-third of the options granted to an employee vest to the employee on each of the first three anniversaries of continuous employment with the Group. The vested options can be exercised at any time up to 21 December 2025. Each option entitles the holder on payment of the exercise price to one ordinary share in the capital of the Group. If employment ceases the options automatically terminate unless the Board determines otherwise. Payment must be made in full for all options exercised on the dates they are exercised. No further options were issued. At 30 September 2017, there were 1,650,804 options granted. Of these 1,100,536 options were unvested.

Current Employee share options plan (ESOP)

Effective from 10 May 2016, the Company adopted a new employee share option plan (ESOP) which replaces the Pre IPO employee share option scheme. The ESOP has no impact on the Pre IPO employee share options.

Key provisions of the ESOP include:

- the options are to vest in accordance with the employee's letter of offer;
- the expiry date of the options will be as set out in the employee's letter of offer; and
- should the relevant employee cease to be employed by the Company, all options not yet vested will be cancelled and, all options vested, must be exercised within three months following the relevant employee's leaving date, unless the Board otherwise determines.

Issue of options to employees (August 2017)

On the 6 June 2017 the board approved the offer of options under the ESOP to employees on the following terms:

- An exercise price of AU$0.20 per share;
- the options vest in full on the date of issue; and
- the expiry date of the options will be 5 years after date of issue.

The weighted average of the fair value of each option is AU$0.037 under the Black Scholes valuation model resulting in a charge to the Company of AU$101,478 ($109,980). The significant inputs into the model were a share price of AU$0.12 at the grant date, exercise price AU$0.20, volatility of 50%, no dividend, expected option life of five years and a risk-free interest rate of 2.17%.

Issue of options to Non-Executive Directors (NEDs) (September 2017)

At the Annual Meeting of Shareholders held on 12 September 2017 the shareholders approved the issue of option under the ESOP to the NEDs on the following terms:

- An exercise price of AU$0.225 per share;
- the options vest on the price of the quoted shares reaching AU$0.30 per share, calculated on a 10 trading day VWAP; and
- the expiry date of the options will be 5 years after date of issue.

The weighted average of the fair value of each option is AU$0.023 under the Black Scholes valuation model resulting in a charge to the Company of AU$40,268 ($44,383). The significant inputs into the model were a share price of AU$0.10 at the grant date, exercise price AU$0.225, volatility of 50%, no dividend, expected option life of five years and a risk-free interest rate of 2.19%.

Share options outstanding at the end of the financial periods have the following expiry dates, vesting dates and exercise prices:

Description	Status	Expires	Exercise price	30 September 2017 (unaudited) No of options '000's	31 March 2017 (audited) No of options '000's	30 September 2016 (unaudited) No of options '000's
Shareholder Options	Lapsed	Sep 2017	NZ$0.180	-	28,593	28,593
Shareholder Options	Lapsed	Sep 2017	NZ$0.220	-	14,296	14,296
Pre IPO	Vested	Dec 2025	NZ$0.160	550	595	625
Pre IPO	Unvested	Dec 2025	NZ$0.160	550	595	625
Pre IPO	Unvested	Dec 2025	NZ$0.160	550	595	625
Advisor Options	Unvested	Jun 2019	AU$0.200	8,750	8,750	8,750
ESOP - Staff	Vested	Aug 2022	AU$0.200	2,721	-	-
ESOP - NEDs	Vested	Sep 2022	AU$0.225	1,713	-	-
Balance at end of period				**14,834**	**53,424**	**53,514**

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	6 months ended 30 September 2017		6 months ended 31 March 2017		6 months ended 30 September 2016	
	Weighted average exercise price $ per share	Options '000's	Weighted average exercise price $ per share	Options '000's	Weighted average exercise price $ per share	Options '000's
Balance at beginning of period	$0.19	53,424	$0.19	53,514	$0.19	44,764
Issued	$0.22	2,721	-	-	$0.21	8,750
Issued	$0.25	1,713	-	-	-	-
Shareholder options lapsed	$0.19	(42,890)	-	-	-	-
Employee options lapsed	$0.16	(134)	$0.16	(90)	-	-
Balance at end of period	**$0.21**	**14,834**	**$0.19**	**53,424**	**$0.19**	**53,514**

10. Reconciliation of reported loss after taxation with cash flows from operating activities

	6 months ended 30 September 2017 (unaudited) $'000	6 months ended 30 September 2016 (unaudited) $'000	Year ended 31 March 2017 (audited) $'000
Loss after income tax	**(10,564)**	**(6,678)**	**(14,036)**
Non-cash items:			
Depreciation – administration expenditure	64	32	79
Depreciation – research and development	22	-	-
Share based payments	-	619	619
Share option expense	171	43	68
Foreign exchange loss/(gain) on monetary assets	17	185	(237)
Changes in working capital:			
Increase / (decrease) in trade and other payables	1,215	(571)	(168)
(Decrease) / increase in deferred revenue	(532)	900	2,102
Increase in trade and other receivables	(139)	(959)	(835)
Decrease / (increase) in capitalised work in progress	85	(965)	(772)
Net cash flow from operating activities	**(9,661)**	**(7,394)**	**(13,180)**

11. Lease Commitments

The Group has leases agreements on certain premises. Future minimum rentals payable under non-cancellable agreements are:

	30 September 2017 (unaudited) $'000	30 September 2016 (unaudited) $'000	31 March 2017 (audited) $'000
Not later than one year	1,090	443	712
Later than one year and no later than five years	2,462	2,645	1,947
Total lease commitments	**3,552**	**3,088**	**2,659**

12. Contingencies

As at 30 September 2017, the Group had a $831,000 bank guarantee for the operating lease for the premises, held by ASB Bank Limited (30 September 2016: Nil; 31 March 2017: $404,000).

13. Related party transactions and balances

Transactions with the following related parties during the period

Name of related party	Nature of relationship	Transaction	Settled in cash or equity	30 September 2017 (unaudited) $'000	30 September 2016 (unaudited) $'000	31 March 2017 (audited) $'000
Adrian Grant [1]	Director	Consulting services	Cash	-	5	4
		Travel expenses	Cash	65	8	8
Kestrel Corporate Advisory, Inc.[2]	Director	Directors' fees	Cash	48	39	86
		Consulting services	Cash	9	64	97
		Consulting services	Equity	15	-	-
		Other services	Cash	3	8	9
Mark Estall [3]	Director & CEO	Advances	Cash	(20)	-	-
Paul Reynolds	Director	Directors' fees	Cash	84	63	141
		Consulting services	Cash	14	56	73
		Consulting services	Equity	17	-	-
		Other services	Cash	1	2	2
Social Power (Surrey) Limited [4]	Director	Directors' fees	Cash	40	14	74
		Consulting services	Cash	109	19	79
		Consulting services	Equity	12	-	-
		Other services	Cash	19	7	20
Te Arai Coast Lodge Limited	Common Shareholder	Other services	Cash	-	-	2
Thomas Power	Director	Directors' fees	Cash	-	20	-

1. Executive director, Adrian Grant resigned from the Board on 9 May 2016 and was reappointed on 17 August 2017.
2. Non-executive director, Wendy Webb is a director and shareholder of Kestrel Corporate Advisory, Inc.
3. One-off personal expenses from a business trip that are being repaid to the Company and will be repaid in full by 31 March 2018.
4. Non-executive director, Thomas Power is a director and shareholder of Social Power (Surrey) Limited.

Amounts owed by the Group to / (from) related parties were:

Name of related party	Nature of relationship	Balance type	30 Sept 2017 $'000	30 Sept 2016 $'000	31 March 2017 $'000
Kestrel Corporate Advisory, Inc.	Director	Trade and other payables	9	12	8
Mark Estall	Director & CEO	Trade, other receivables and prepayments	(20)	-	-
Paul Reynolds	Director	Trade and other payables	14	14	13
Social Power (Surrey) Limited	Director	Trade and other payables	49	8	20
Thomas Power	Director	Trade and other payables	-	7	-
Net amounts owed to related parties			**52**	**41**	**41**

14. Events after the reporting period

There have been no reportable events arising after the end of the reporting period.

Registered Office:	Level 4, AECOM House 8 Mahuhu Crescent Auckland 1010 New Zealand
Company Number:	3538758
Business Number:	9429030957862
Australian Registered Body Number:	610 518 075
Directors:	Paul Reynolds (Chairman) Mark Estall Thomas Power Wendy Webb Adrian Grant (appointed 17 August 2017)
Australian Lawyers:	Bird & Bird Level 11, 68 Pitt Street Sydney, NSW 2000 Australia
New Zealand Lawyers:	Simmonds Stewart Level 4 4 Vulcan Lane Auckland 1140 New Zealand
Auditors:	PricewaterhouseCoopers 188 Quay Street Private Bag 92162 Auckland 1142 New Zealand
Share Registrar:	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW 2000 Australia
ASX:	The Company's ordinary shares are listed on the ASX under ASX code – ASX:9SP
Website:	www.9spokes.com